

Financial Statements of

**ATLANTIC SALMON  
FEDERATION (CANADA)**

Year ended September 30, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Atlantic Salmon Federation (Canada)

We have audited the accompanying financial statements of Atlantic Salmon Federation (Canada), which comprise the statement of financial position as at September 30, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlantic Salmon Federation (Canada) as at September 30, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

Fredericton, Canada  
April 2, 2019

# ATLANTIC SALMON FEDERATION (CANADA)

## Statement of Financial Position

September 30, 2018, with comparative information for 2017

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash   | \$ 836,928          | \$ 692,218          |
| Accounts receivable  | 137,059             | 34,157              |
| Unconditional promises to give (note 4)                          | 231,818             | 73,235              |
| Inventory  | 45,467              | 43,765              |
| Prepaid expenses   | 114,936             | 98,961              |
|  | <u>1,366,208</u>    | <u>942,336</u>      |
| Receivable from Atlantic Salmon Federation (U.S.), Inc. (note 2) | 115,321             | 408,442             |
| Investments (note 3)   | 1,451,295           | 1,348,595           |
| Long term unconditional promises to give (note 4)                | 75,638              | 75,681              |
| Capital assets (note 5)  | 449,852             | 396,842             |
|  | <u>\$ 3,458,314</u> | <u>\$ 3,171,896</u> |

## Liabilities, Deferred Contributions and Net Assets

|   |                     |                     |
|---|---------------------|---------------------|
| Current liabilities:                          |                     |                     |
| Currency forward exchange contracts           | \$ 12,893           | \$ -                |
| Accounts payable and accrued liabilities      | 287,288             | 288,101             |
| Deferred revenue                              | 125,407             | 64,673              |
|   | <u>425,588</u>      | <u>352,774</u>      |
| Deferred contributions (note 6):              |                     |                     |
| Related to Wild Salmon Nature Centre          | 292,275             | 318,859             |
| For expenses of future periods                | 1,076,090           | 849,297             |
|   | <u>1,368,365</u>    | <u>1,168,156</u>    |
| Net assets:                                   |                     |                     |
| Invested in capital assets (note 7)           | 157,577             | 77,983              |
| Externally restricted for endowments (note 8) | 1,198,297           | 1,190,733           |
| Internally restricted (note 9)                | 403,790             | 354,347             |
| Unrestricted                                  | (95,303)            | 27,903              |
|   | <u>1,664,361</u>    | <u>1,650,966</u>    |
| Contingency (note 13)                         |                     |                     |
|   | <u>\$ 3,458,314</u> | <u>\$ 3,171,896</u> |

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# ATLANTIC SALMON FEDERATION (CANADA)

## Statement of Operations

Year ended September 30, 2018 with comparative information for 2017

|  | 2018      | 2017      |
|--|-----------|-----------|
| Revenues:  |           |           |
| Membership   | \$ 73,435 | \$ 74,396 |
| Contributions  | 837,950   | 829,322   |
| Dinners and raffles  | 1,009,368 | 947,732   |
| Contributions from ASF (U.S.), Inc. (note 10)  | 2,600,000 | 2,444,700 |
| Advertising  | 79,862    | 82,322    |
| Wild Salmon Nature Centre  | 19,089    | 27,861    |
| Interest   | 33,144    | 34,722    |
| Realized gain on sale of investments   | 6,902     | 43,448    |
| Unrealized gains (losses) on investments   | 77,817    | (18,294)  |
| Unrealized losses on financial derivative  | (12,893)  | -         |
| Amortization of deferred capital contributions<br>related to Wild Salmon Nature Centre | 26,584    | 29,410    |
| Miscellaneous  | 68,826    | 106,182   |
|  | 4,820,084 | 4,601,801 |
| Expenses:  |           |           |
| Conservation Programs:   |           |           |
| General  | 296,910   | 475,910   |
| Advocacy   | 613,208   | 427,021   |
| Regional Programs  | 788,110   | 770,781   |
|  | 1,698,228 | 1,673,712 |
| Education Programs:  |           |           |
| Publications   | 307,955   | 292,804   |
| Public Information   | 171,354   | 174,369   |
| Web Site   | 69,420    | 68,827    |
| Outreach   | -         | 10,319    |
| Wild Salmon Nature Centre  | 57,186    | 57,271    |
|  | 605,915   | 603,590   |
| Research Programs:   | 861,932   | 790,438   |
| Administration   | 370,646   | 331,491   |
| Facilities   | 277,553   | 248,798   |
| Development  | 552,472   | 551,655   |
| Dinners and raffles  | 447,507   | 389,291   |
|  | 4,814,253 | 4,588,975 |
| Excess of revenues over expenses   | \$ 5,831  | \$ 12,826 |

See accompanying notes to financial statements.

## ATLANTIC SALMON FEDERATION (CANADA)

### Statement of Changes in Net Assets

Year ended September 30, 2018

| <b>September 30, 2018</b>                           | <b>Invested in<br/>capital assets</b> | <b>Externally<br/>restricted for<br/>endowments</b> | <b>Internally<br/>restricted</b> | <b>Unrestricted</b> | <b>Total</b>        |
|---|---------------------------------------|---|----------------------------------|---------------------|---------------------|
| Balance, beginning of year                          | \$ 77,983                             | \$ 1,190,733  | \$ 354,347                       | \$ 27,903           | \$ 1,650,966        |
| Deficiency of revenues over expenses                | (40,368)                              | -   | -                                | 46,199              | 5,831               |
| Endowment contributions                             | -                                     | 3,983   | -                                | -                   | 3,983               |
| Change in present value discounting                 | -                                     | 2,131   | -                                | -                   | 2,131               |
| Interest allocated to endowments (note 8)           | -                                     | 1,450   | -                                | -                   | 1,450               |
| Net change in investment in capital assets (note 7) | 119,962                               | -   | -                                | (119,962)           | -                   |
| Transfers (note 9)                                  | -                                     | -   | 49,443                           | (49,443)            | -                   |
| <b>Balance, end of year</b>                         | <b>\$ 157,577</b>                     | <b>\$ 1,198,297</b>                                 | <b>\$ 403,790</b>                | <b>\$ (95,303)</b>  | <b>\$ 1,664,361</b> |

| <b>September 30, 2017</b>                           | <b>Invested in<br/>capital assets</b> | <b>Externally<br/>restricted for<br/>endowments</b> | <b>Internally<br/>restricted</b> | <b>Unrestricted</b> | <b>Total</b>        |
|---|---------------------------------------|---|----------------------------------|---------------------|---------------------|
| Balance, beginning of year                          | \$ 71,114                             | \$ 1,141,104  | \$ 373,015                       | \$ 3,278            | \$ 1,588,511        |
| Excess (deficiency) of revenues over expenses       | (25,820)                              | -   | -                                | 38,646              | 12,826              |
| Endowment contributions                             | -                                     | 45,636  | -                                | -                   | 45,636              |
| Change in present value discounting                 | -                                     | 2,903   | -                                | -                   | 2,903               |
| Interest allocated to endowments (note 8)           | -                                     | 1,090   | -                                | -                   | 1,090               |
| Net change in investment in capital assets (note 7) | 32,689                                | -   | -                                | (32,689)            | -                   |
| Transfers (note 9)                                  | -                                     | -   | (18,668)                         | 18,668              | -                   |
| <b>Balance, end of year</b>                         | <b>\$ 77,983</b>                      | <b>\$ 1,190,733</b>                                 | <b>\$ 354,347</b>                | <b>\$ 27,903</b>    | <b>\$ 1,650,966</b> |

See accompanying notes to the financial statements.

# ATLANTIC SALMON FEDERATION (CANADA)

## Statements of Cash Flows

Year ended September 30, 2018, with comparative information for 2017

|   | 2018       | 2017       |
|---|------------|------------|
| Cash provided by (used in):   |            |            |
| Operating activities:   |            |            |
| Excess of revenues over expenses  | \$ 5,831   | \$ 12,826  |
| Items not involving cash:   |            |            |
| Unrealized (gains) losses on investments  | (77,817)   | 18,294     |
| Amortization of capital assets  | 66,952     | 55,230     |
| Amortization of deferred capital contributions related to Wild Salmon Nature Center | (26,584)   | (29,410)   |
| Realized gain on sale of investments  | (6,902)    | (43,448)   |
| (Increase) decrease in accounts receivable  | (102,902)  | 103,812    |
| Decrease in receivable from ASF US  | 293,121    | 135,384    |
| (Increase) decrease in inventory  | (1,702)    | 6,466      |
| (Increase) decrease in prepaid expenses   | (15,975)   | 47,199     |
| (Increase) decrease in net unconditional promises to give                           | (158,540)  | 94,801     |
| (Decrease) increase in accounts payable and accrued liabilities                     | (813)      | 9,752      |
| Decrease (increase) in deferred revenue   | 60,734     | (26,910)   |
| Unrealized losses on financial derivative   | 12,893     | -          |
| Increase in deferred contributions for expenses of future periods                   | 226,793    | 273,724    |
|   | 275,089    | 657,720    |
| Financing and investing activities:   |            |            |
| Acquisition of investments  | (469,438)  | (652,762)  |
| Proceeds from sale of investments   | 451,457    | 589,080    |
| Capital assets acquired   | (119,962)  | (32,689)   |
| Endowment contributions and interest  | 7,564      | 49,629     |
|   | (130,379)  | (46,742)   |
| Increase in cash position   | 144,710    | 610,978    |
| Cash position, beginning of year  | 692,218    | 81,240     |
| Cash position, end of year  | \$ 836,928 | \$ 692,218 |

See accompanying notes to the financial statements.

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

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Atlantic Salmon Federation (Canada) (the Federation) is incorporated under the Quebec Companies Act and its principal activities include the promotion and conservation of the wild Atlantic salmon through education, enhancement, restoration, research and international cooperation. The Federation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

## 1. Significant accounting policies:

### (a) General:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Handbook.

### (b) Revenue recognition:

The Federation follows the deferral method of accounting for restricted contributions.

Restricted contributions are subject to externally imposed donor stipulations specifying the purpose for which they must be used. Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are a special type of restricted contribution where the externally imposed restriction is that the resources contributed must be maintained permanently. Endowment contributions from external parties are recognized as direct increases in endowment net assets.

All contributions that do not meet the definition of either a restricted or an endowment contribution are unrestricted contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income available for distribution is recorded as unrestricted or as a direct increase in net assets for endowment purposes depending on the terms specified by the donor.

Revenue from memberships, Wild Salmon Nature Center, dinners and raffles, advertising and miscellaneous are recognized when the services are provided or goods are sold and collection is probable.

### (c) Unconditional promises to give:

Pledged contributions due in the next year are reflected as current assets and are recorded at their net realizable value. Where there is sufficient certainty of collection, pledged contributions due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, discounted using the risk-free interest rates applicable to the years in which the pledges are to be received.

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

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## 1. Significant accounting policies (continued):

### (d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to assist in fundraising and special projects. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided using the straight-line method as per the following:

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|                                |               |
|--------------------------------|---------------|
| Wild Salmon Nature Centre      | 30 years      |
| Vehicles                       | 7 years       |
| Web site                       | 5 years       |
| Office furniture and equipment | 3 and 5 years |

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### (f) Inventory:

Inventory is recorded at the lower of cost and replacement cost. Cost is based on the average purchase price. It is management's assessment inventory is properly valued at year end and no further adjustments are required.

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Federation has elected to carry all other investments at fair value. Settlement date accounting is used.



# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

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## 1. Significant accounting policies (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. There has been no impairment charges during the year recorded by the Federation.

### (h) Use of estimates:

The preparation of the financial statements in conformity with the CPA Handbook for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of accounts receivable and unconditional promises to give, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the report periods. Actual results could differ from those estimates.

### (i) Asset impairment:

When a capital asset no longer has any long-term service potential to the Federation, the excess of its net carrying amount over and residual value is recognized as an expense in the statement of operations. There has been no impairment charges during the year recorded by the Federation.

### (j) Foreign currency translation:

The market values of investments listed in foreign currencies are translated into Canadian dollars at the year-end exchange rate. In calculating unrealized gains or losses on foreign securities, cost values are translated into Canadian dollars at the rate of exchange on the transaction date.

## 2. Receivable from Atlantic Salmon Federation (U.S.), Inc.:

The amount is unsecured, interest-bearing with interest waived and has no set terms of repayment.

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

## 3. Investments:

| September 30, 2018              | Fair market value |    | Cost      |
|---------------------------------|-------------------|----|-----------|
| Cash and investment certificate | \$ 69,381         | \$ | 69,381    |
| Fixed income                    | 431,094           |    | 428,440   |
| Equities                        | 950,820           |    | 650,269   |
|                                 | \$ 1,451,295      | \$ | 1,148,090 |

| September 30, 2017              | Fair market value |    | Cost      |
|---------------------------------|-------------------|----|-----------|
| Cash and investment certificate | \$ 142,900        | \$ | 142,900   |
| Fixed income                    | 306,843           |    | 303,840   |
| Equities                        | 898,852           |    | 682,980   |
|                                 | \$ 1,348,595      | \$ | 1,129,720 |

The fixed income investments have an effective interest rate of 1.50% to 4.77% (2017 - 1.50% to 4.77%) and mature between 2018 and 2022.

## 4. Unconditional promises to give:

|                                      | 2018                   |                        | 2017                   |                        |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                      | Temporarily restricted | Permanently restricted | Temporarily restricted | Permanently restricted |
| Total unconditional promises to give | \$ 260,028             | \$ 51,790              | \$ 47,235              | \$ 105,790             |
| Receivables in less than one year    | 185,028                | 46,790                 | 22,235                 | 51,000                 |
| Receivable in one to three years     | 75,000                 | 5,000                  | 25,000                 | 54,790                 |
| Less discounts to net present value  | 3,807                  | 555                    | 1,423                  | 2,686                  |
| Net receivable in one to three years | \$ 71,193              | \$ 4,445               | \$ 23,577              | \$ 52,104              |

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

## 5. Capital assets:

| September 30, 2018             | Cost         | Accumulated<br>amortization | Net book<br>value |
|--------------------------------|--------------|-----------------------------|-------------------|
| Wild Salmon Nature Centre      | \$ 1,100,761 | \$ 781,279                  | \$ 319,482        |
| Vehicles                       | 71,950       | \$ 10,279                   | 61,671            |
| Web Site                       | 38,290       | \$ 5,048                    | 33,242            |
| Office furniture and equipment | 366,964      | 331,507                     | 35,457            |
|                                | \$ 1,577,965 | \$ 1,128,113                | \$ 449,852        |

  

| September 30, 2017             | Cost         | Accumulated<br>amortization | Net book<br>value |
|--------------------------------|--------------|-----------------------------|-------------------|
| Wild Salmon Nature Centre      | \$ 1,100,759 | \$ 750,687                  | \$ 350,072        |
| Office furniture and equipment | 357,244      | 310,474                     | 46,770            |
|                                | \$ 1,458,003 | \$ 1,061,161                | \$ 396,842        |

During the year, the Federation commenced the process of constructing a new web site that will be functional during the 2018-19 fiscal year. Since the web site was not fully completed as of the year end date and is still under construction there has been no depreciation recorded in the current year related to this asset.

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

## 6. Deferred contributions:

(a) For expenses of future periods:

Deferred contributions related to expenses of future periods and for future annual givings represent unspent externally restricted grants and donations for conservation, education and research purposes.

|   | 2018 |           | 2017 |           |
|---|------|-----------|------|-----------|
| Balance, beginning of year  | \$   | 849,297   | \$   | 575,573   |
| Add: Contributions received related to expenses of future periods |      | 592,101   |      | 713,243   |
|   |      | 1,441,398 |      | 1,288,816 |
| Less: Recognized in revenue in the year                           |      | 365,308   |      | 439,519   |
| Balance, end of year  | \$   | 1,076,090 | \$   | 849,297   |

|              | 2018 |           | 2017 |         |
|--------------|------|-----------|------|---------|
| Conservation | \$   | 419,391   | \$   | 205,210 |
| Education    |      | 94,225    |      | 74,208  |
| Research     |      | 562,474   |      | 569,879 |
|              | \$   | 1,076,090 | \$   | 849,297 |

Deferred contributions related to expenses of future periods were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

|              | 2018 |         | 2017 |         |
|--------------|------|---------|------|---------|
| Conservation | \$   | 21,599  | \$   | 22,627  |
| Education    |      | 20,065  |      | 15,500  |
| Research     |      | 323,644 |      | 401,392 |
|              | \$   | 365,308 | \$   | 439,519 |

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

## 6. Deferred contributions (continued):

(b) Deferred capital contributions related to Wild Salmon Nature Centre:

During 1996 and 1997 the Federation held a campaign to raise funds for capital and operating costs of a Wild Salmon Nature Centre. Deferred contributions related to the Wild Salmon Nature Centre represent the unamortized amount and unspent amount of contributions received for the capital and operating costs. The amortization of the expended contributions is recorded as revenue in the statement of operations.

|                                 | 2018 |         | 2017 |         |
|---------------------------------|------|---------|------|---------|
| Balance, beginning of year      | \$   | 318,859 | \$   | 348,269 |
| Less: Amortization for the year |      | 26,584  |      | 29,410  |
| Balance, end of year            | \$   | 292,275 | \$   | 318,859 |

## 7. Invested in capital assets:

(a) Investment in capital assets is calculated as follows:

|  | 2018 |           | 2017 |           |
|--|------|-----------|------|-----------|
| Capital assets                             | \$   | 449,852   | \$   | 396,842   |
| Amounts financed by deferred contributions |      | (292,275) |      | (318,859) |
|  | \$   | 157,577   | \$   | 77,983    |

(b) Change in net assets invested in capital assets is calculated as follows:

|  | 2018 |          | 2017 |          |
|--|------|----------|------|----------|
| Deficiency of revenues over expenses:                            |      |          |      |          |
| Amortization of deferred contributions related to capital assets | \$   | 26,584   | \$   | 29,410   |
| Amortization of capital assets                                   |      | (66,952) |      | (55,230) |
|  | \$   | (40,368) | \$   | (25,820) |

## 8. Net assets externally restricted for endowments:

All of the net assets externally restricted for endowment purposes are subject to restrictions stipulating that the principal be maintained intact. Two endowment contributions totaling \$84,227 require that a specific percentage of the related investment income be recorded as a direct increase in net assets for endowment purposes. The amount for 2018 is \$1,450 (2017 - \$1,090). The balance of the investment income on the remaining endowment assets is unrestricted and included as investment income on the statement of operations.

## 9. Net assets internally restricted:

The Board has restricted net assets for future purposes. Transfers to and from the net assets internally restricted for endowments are made at the discretion of the Board.

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

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## 10. Related party transactions:

The program of conservation activities in Canada, complete with budgets that cover all costs to be incurred, including staffing and other direct and indirect components, is developed by management and approved for implementation by the Board of Directors of the Atlantic Salmon Federation (Canada) ("ASF (Canada)").

ASF (Canada) requests funding from Atlantic Salmon Federation (U.S.), Inc. ("ASF (US)"), a separate but affiliated U.S. charity with a separate board of directors, to support certain conservation programs and activities implemented by ASF (Canada).

ASF (Canada) has entered into a lease agreement with ASF (US) for use of all real estate, improvements and equipment which ASF (US) owns in Canada. Under this lease agreement, ASF (Canada) pays all costs related to occupancy of the real estate and operation of the equipment; and pays ASF (US) an annual rental fee of \$1.

ASF (Canada) has entered into agreements with ASF (US), pursuant to which, the President of ASF (Canada) will provide services as President of ASF (US); and, the employees of ASF (Canada)'s Fundraising and Administration departments will provide fundraising and administration services to ASF (US). Under the terms of these agreements ASF (US) will pay ASF (Canada) amounts as determined during the annual budget process.

During the fiscal year ended September 30, 2018, ASF (US) contributed a total of \$2,600,000 (2017 - \$2,444,700) to ASF (Canada) relative to certain conservation programs and other activities, including agreements, as described in the paragraph immediately above.

These related party transactions are recorded at the exchange amount as agreed upon by the two parties.

## 11. Fair value of financial instruments:

The following methods and assumptions are used in estimating the fair value for financial instruments:

Cash, accounts receivable, current unconditional promises to give and accounts payable and accrued liabilities: the carrying amounts report in the statement of financial position approximate fair values because of the short maturities of these instruments.

Investments: Investments are measured at fair value and are based on quoted market prices.

The fair value of the receivable from Atlantic Salmon Federation (U.S.), Inc. is not determinable due to its special nature.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return over the expected collection period.

# ATLANTIC SALMON FEDERATION (CANADA)

Notes to Financial Statements

Year ended September 30, 2018

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## 12. Concentrations of risk:

Credit and interest rate risk:

The Federation is exposed to credit risk on cash balances, investments, accounts receivable and unconditional promises to give. Cash balances are maintained at high quality financial institutions. The collectibility of accounts receivable and unconditional promises is assessed on an individual basis and written off in the statement of operations when deemed irrecoverable. Investments are subject to both credit and interest rate risk which is managed by holding a diverse portfolio.

Foreign exchange:

The Federation is exposed to foreign exchange risk on investments listed in foreign currencies. The Federation manages this exposure by holding a diverse portfolio. The Federation has implemented a foreign exchange hedging program starting in the 2018-19 year in order to minimize risk related to foreign currency exchange transactions.

## 13. Contingency

During the 2016-17 year the Federation commenced a legal case against the Newfoundland Government related to the approval of an aquaculture project and challenging such approval. The Federation was victorious during the initial court case as well as a subsequent appeal, to which the court has awarded certain cost reimbursements to the Federation. As these costs have not yet been determined there has been no disclosure in these financial statements and will be recorded when they have been received with full disclosure on the amounts. Currently the Federation is determining whether there are further actions that need to be taken with this case as the Newfoundland government has decided to give approval for the aquaculture site even with the deficiencies to the court imposed Environmental Impact Study. There is a chance that the Federation appeals this decision all the way to the Supreme Court of Canada, to which there is likely to be further legal costs as a result that were similar to the current year as well as the prior year. The Federation has incurred \$106,313 (2017 - \$195,621) in costs related to the lawsuit that are included under Conservation.